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ABSTRACT

This module on owning and operating a tree service is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit activity. Units (and subject matter) in this module are: planning your business (what does a tree service do; who will be your customers; is there room for you; skills; experience; personal qualities); choosing a location (convenience; contacts; chances of success; office rental); getting money to start (business description; statement of financial need); being in charge (hiring people; job description; training new people; decision making); organizing the work (keeping appointments; estimates; work order form; work schedules); setting prices (the break-even point; competitive pricing); advertising and selling (types of ads); keeping financial records (billing; daily cash sheet); and keeping your business successful (profit/loss statement; net profit; profit ratio; how to increase profits). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Tree Service

Module 3

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American Institutes for Research

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GETTING DOWN TO BUSINESS:

Tree Service

Norma Shapiro

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own tree service?

This module describes people who have started and managed tree services. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a tree service
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that tree service owners do.

Then you will have a better idea of whether a career as a tree service owner is for you.

Before you study this module, you might want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 2, Getting Down to Business: Farm Equipment Repair;
- Module 5, Getting Down to Business: Fertilizer and Pesticide Service;
- Module 6, Getting Down to Business: Dairy Farming.

These modules are related to other businesses in agriculture.

UNIT 1

Planning a Tree Service

Goal: To help you plan your tree service.

Objective 1: Describe the services, clients, and competition of a tree service.

Objective 2: List three personal qualities a tree service owner might have.

Objective 3: List three ways that a tree service might be special.

Objective 4: List two of the legal requirements you might have to consider before opening a tree service.

THE BIRTH OF BART'S TREE SERVICE

Wendell and Jody Bart, brother and sister, always knew they would go into business together. As kids they had lemonade stands, newspaper routes, and gardening jobs. It was their gardening work that led them to the tree service business. They've been in business six years now. They've made a profit for the last four. This is how Jody tells it.

"I always knew I would do outdoor work and have my own business. The only time that Wendell and I really worked for anyone else was at Buck's Tree Service. Jim Buck was doing the trees at a house where Wendell and I were doing some gardening. Jim said he needed some climbers. The work was much more exciting than what we were doing. We told Jim that when we got good enough, we would probably start our own business. He thought we were joking, and he told us about the climbers who strike out on their own. There is a high failure rate with those folks. To be good in this business you need a lot of money (a good truck is at least $30,000 and a chipper that makes toothpicks out of the branches is another $10,000) and a lot of experience. He said you need at least five or six years of experience with a well-run, successful company. He doubted I could handle the work but was willing to give me a try.

"We stayed five and a half years before we opened Bart's Tree Service. Jim was retiring and agreed to help us. We made a lot of mistakes the first couple of years. Owning your own service is much different from working for someone else. All of a sudden it was our axe that needed sharpening; it was our shovel that needed a new handle. Now, we had to do all the bookkeeping, find all the clients. We weren't just kids goofin' around in the trees. We were reading books on cabling and filling cavities. We took a correspondence course from an arborist association.

"Now we're doing some fine tree work and have a good reputation. I love being known as the 'tree people' around this town."

Planning a Tree Service

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

The owner of a tree care service is often known as an arborist or a tree surgeon.

What Does a Tree Service Do?

If you had a tree on your property that you wanted trimmed, cabled, or removed and you couldn't do it yourself, you would call a tree service. Most tree services do other things, too:

- feeding trees by putting tree food in the soil or directly into the tree with injections;
- trimming and shaping trees by cutting off branches that are dead or off balance;
- pruning fruit trees to encourage a large crop;
- removing fallen trees by sawing them up and removing the stumps;
- mending diseased or rotted trees by removing the bad part and filling the hole with a special mixture; and
- spraying trees with pesticides by using automatic spraying equipment; this requires a special license.

Who Will Be Your Customers?

Your customers, or "clients," will be homeowners, apartment owners, business owners, and city governments. Wendell and Jody began their

business by getting their former gardening customers to hire them to prune and trim their trees.

Is There Room for You?

Your competition will mainly be other tree services and pest control companies if you do pesticide spraying. As long as people have trees around their homes and businesses, there will be work for you. You will have to pick an area that does not have a lot of other tree services, an area that has a lot of trees, and an area where people can afford tree care.

Skills

You will need to:

- climb trees in order to do almost all of your work;
- know all about the care, feeding, pruning, and removal of trees;
- be able to handle chain saws, pruning shears, ropes, cabling wires, and other equipment; and
- run your small business.

While these may seem like a lot of skills, you can learn by working with a person who knows the tree service business. There are also college courses you can take, such as horticulture, arboriculture (the study of trees), and urban forestry.

Experience

Few people decide to go into business for themselves without having worked in that business. Owners of tree services were almost always workers first, for four to six years.

Personal Qualities

People who run tree services have to like trees, high places, and handling powerful equipment. They have to do bookkeeping and advertising, buy their equipment, and hire their workers. Wendell says: "I don't think I would talk anyone into this business. You have to be part scientist and part climber. But I like it. At the end of the day, I know that I've worked hard, there are some healthier trees out there, and I've done it myself."

How to Compete Well--Or, Service Is the Name of the Game

As a tree surgeon, you are selling your knowledge, skill, and experience. Your "product" is the service that you give. Customers expect their trees to look better and be healthier when you leave. You may want to just trim and prune when you first start out; but to be known as "the tree people" in your area, you will probably have to offer a complete range of tree care services (see page 6).

Getting People to Come Back to You

If you think about what you would like if you were a customer of your business, you will probably be able to offer good service. In general, people like to know exactly what the workers are going to do, and they like to get what they pay for. Except for the improvements, they like their place to look as if no one was ever there. They like people to start and finish at the times they said they would.

Legal Requirements

There are many legal requirements for owners of small businesses. Contact your state business licensing agency to learn about the laws for

a tree service. You must keep tax records, have damage and liability insurance, and follow safety regulations.

Summary

A tree service removes, feeds, prunes, and mends trees. You can develop skills for this business by working with a good tree service and by taking courses. Before you start, check federal, state, and city laws and be fully insured.

Learning Activities

Individual Activities

1. Which services is a tree service likely to provide?
   a. Shaping an overgrown willow tree
   b. Planting several cypress trees for a windbreak
   c. Filling the cavity of a maple tree that was burned by a fire
   d. Pruning a very large hedge that serves as a fence

2. Name two skills you need to run a tree service.

3. How is being an owner of a tree service different from being a climber?

4. Name two ways to get tree care experience before you open your own business.

5. Here is a list of skills and personal qualities. Put an XX by those you think would be helpful in owning a small tree service. Put an X by those that would not matter. Put an O by those that would probably not be helpful. There are no "correct" answers. You will probably have a different opinion from your classmates.

   _____ a. Need to be outdoors
   _____ b. Need to have someone tell you what to do
   _____ c. Being organized
   _____ d. Able to talk well
   _____ e. Being tall
   _____ f. Being physically active
   _____ g. Able to write well
   _____ h. Able to work under pressure

_____ i. Liking high places

_____ j. Having good eyesight

_____ k. Able to set up a good filing system

_____ l. Able to work well with figures

_____ m. Liking to solve problems

_____ n. Liking to be in charge of other people

_____ o. Need a lot of other people around

_____ p. Need to be on your own

_____ q. Need employee benefits

_____ r. Need quiet

_____ s. Being patient

_____ t. Liking to do paperwork

_____ u. Need specific schedules and timetables

_____ v. Need specific assignments

_____ w. Need to be artistically creative at work

_____ x. Being physically attractive

_____ y. Liking to be helpful

_____ z. Able to run heavy equipment

Now underline those that apply to you. How many XXs do you have? _____ How many Os do you have? _____

Discussion Questions

1. Jim was surprised to find a woman interested in tree care. What advice would you give Jody if clients have this attitude?

2. Many people in the tree care business today have never gone to college. Which route do you think you would take? What are the advantages and disadvantages of taking a college course versus just working with a good tree service?

3. Many tree services fail even though the owners are good climbers and handle the equipment well. What else do you need to be successful?

Group Activity

Invite the owner of a tree service to speak to your class. What questions would you like him or her to answer? Write down a list of at least 15 questions that would help you decide if this business is for you. Here are topics that may help your thinking: getting the business started; money--making it, getting it; best times; hard times; hiring people; running the business; and advice.

UNIT 2

Choosing a Location

Goal: To help you choose a good location for your service.

Objective 1: List three things to think about in deciding where to locate your business.

Objective 2: Name four places to check for information about that area.

Objective 3: Decide whether or not your city or town would be a good location.

FINDING THE RIGHT PLACE

Wendell describes how to choose a location. "It would be great if everyone who wanted to start a tree service could take a cross-country trip and choose a nice place to live in a community that has a lot of trees. But that's not the way to ensure your success.

"Since most of your clients will come to you because a friend or neighbor recommended you, you should probably start your business in a place where you have a lot of friends and acquaintances.

"Jody and I knew that we weren't going to leave Oak Bluff. We had our gardening service here. We belonged to baseball teams and she was on a bowling team. That might sound silly, but every contact you have in a city--right down to your brother's friend's sister--can be your client. People come to you if they trust you, and it's just hard to trust strangers.

"Luckily for us, Oak Bluff wasn't overridden with established tree care businesses. There were a couple besides Buck's. But the surrounding communities didn't have any. Since we knew the area well, we knew that the people really cared for their trees. Tree care is not high on the list of things to do if people don't have a lot of money. If you're going to do any land clearing, you have to be in an area where there is some development going on. And you have to be in an area that has some money.

"Another thing that came up for us is that we really wanted to have our own office with some garage space. Neither of us had a very big garage to keep the equipment. We didn't want to take up our extra bedrooms with filing cabinets and all the other office stuff. But we just plain couldn't afford it--not that first year, and not the next three either. We had to 'make do.' Unless you have a rich uncle just dying to give you money, you have to forget about luxuries like an office. Those first years you have to spend money on things like a good chipper and a good walk-thru tool truck."

Choosing a Location

You Come First

Let's say you find the perfect area for your tree service. You know lots of people there. It's a growing community with people who take care of their property, and there isn't much competition. You have to think about whether you want to live in that city for at least five to ten years. It takes that long to really become established so that people think of you when they have a tree problem.

You have to enjoy living in the area that you finally pick for your business. You have to think about weather, housing, recreational facilities, family and friends. If you have children or are planning to have them, you have to think about schools and friends for your children.

If you're not happy living in that area, you won't be happy having your business there.

Putting Down Roots--Why Tumbleweeds Don't Make It

There are lots of reasons to pick your location carefully. As we said before, you need contacts. These are people who know you and will recommend your service to their friends. If you move often, you lose this kind of valuable advertising, the kind that money can't buy.

Another thing you have to think about is where you learned this business. Each area of the country has different climates and--therefore--different trees and problems. If you move far away from where you learned this business, you'll have a lot of new learning to do when you arrive at your new climate. Everything you know about maples

won't do you much good in San Francisco, and whatever you know about dogwoods will go to waste in Montana.

How Can You Tell If the City Is a Good One?

What is a good place to open a tree care service? The area must have people who need you and know about you.

Try to find out what your chances of success are. Obviously, you'll want to know as much about a place as you can. Here are some ideas.

Take a long driving tour of the entire area that you think you might serve. Look for nice landscaping; lots of trees; and buildings, homes, and apartments.

Look in the Yellow Pages of your area's phone books for the last five years. Look for other tree services and what they offer. Look at how many went out of business from year to year. If you find a lot of failures, you'll need to try to find out why.

Call the other tree services in the area. Can you tell if they are expanding or if they seem overworked?

Visit your local plant nurseries. Talk to the owners. Be honest and tell them what you are doing. Ask their opinions of your chances for success.

Call some landscape architects. What do they think of your possibility for success?

Go to the Chamber of Commerce. It can tell you about population growth in the area. Then you will have a better idea of whether your area is growing rapidly.

Check with the city government and local industry to see how these agencies award contracts.

What About an Office?

Most tree services don't have offices. You don't need one in the same way a dentist or doctor needs one. Once your business is well established, however, you might decide to rent one.

Summary

You come first in choosing a location. You have to find a location that fits your personal needs. It is to your advantage to stay in one place for a long time. If you decide to move away from your "training ground," you will have to learn all about the trees in your new area. You can tell if the city is a good location by driving through all of it, as well as by checking out the Yellow Pages, other tree services, nurseries, landscape architects, and the Chamber of Commerce and city government.

Learning Activities

Individual Activities

1. Name three places to check for information about your location.

2. Why is it a good idea to check on the population of a given area before you choose your location?

3. Why should you check old volumes of the Yellow Pages?

Discussion Questions

1. Choose three towns or areas that are close to your school. Answer these questions about those areas.

   a. How many tree services does each one have?

   b. How many have failed in the last five years?

   c. Is the area growing? How can you tell?

   d. Are there developing areas close by? How can you tell?

2. Based on what you found out, which area would be the best one? If none of them is very good, can you suggest another town or area you know about?

Group Activity

Here is a list of factors to think about when choosing a town or area. Rate them in order of importance (from 1-10). There is no "correct" answer. Discuss with the class the reasons for your rating. Try to come up with a class rating.

_____ a. Number of tree services in the area

_____ b. Easy to reach--transportation available

_____ c. Population of town and surrounding area

_____ d. Personal factors--personal preferences, family and friends nearby

_____ e. Growth of area

_____ f. Income of population

_____ g. Weather (climate)

_____ h. Advertising media available

_____ i. Types and prosperity of industries

_____ j. Type of community--urban, suburban, farm, industrial

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start a tree service.

Objective 1: Write a business description for this service.

Objective 2: Fill out a form showing how much money you need to borrow to start this service.

LOOKING FOR THE MONEY TREE

When people go into the tree care business with just a chain saw and a pickup truck, the business is likely to fail. Jody talks about borrowing the large amount of money it took to get started.

"You'll get a lot of conflicting advice when you talk to people about money. Our dad told us to start small so we wouldn't lose much money if the business failed. Jim Buck said our service would be greatly improved if we got some of the basic equipment that established arborists have--a chipper, a bucket truck, a log splitter. All of a sudden we were talking about $95,000!

"All the fun part of planning the business became much more serious when we thought we might be looking at a $95,000 debt. I started making phone calls. I called the bank--what did I need to do to get a loan? I called every equipment house within 1,000 miles--send me all your catalogs so I can price what we need to start a new business. I called a bookkeeper--could I have an appointment to learn about figuring out our projected income?

"We realized that we had to know more about the kind of service we were going to offer. Were we going to do big land-clearing jobs or just small jobs like trimming and shaping? How would we make people come to us instead of going to the other tree services?

"We thought we had it all together by the time we went to see the loan officer at the bank. But we went to five banks before we got the loan. Finally, Jim Buck came to the bank to vouch for us and say that he would be our 'advisor' for the first three years. We also got our dad to invest $10,000 in our business."

Getting Money to Start

What Does It Take?

The Barts had to give the bank a business description, a statement of financial need, and a personal resume including business and character references. The bank loan officer, or anyone else who may give you money, must think you have "done your homework." You must show the lender that you are a good investment. The bank must believe you are going to pay it back. Here is what the bank or other investors will want to know.

- Is there a need for a tree service in your community?
- Can you attract people to your service?
- How much money do you need to start your service?
- Do you have the skills and experience to make the business successful?
- Are you reliable? Do you pay your bills?

The Business Description That Got Wendell and Jody Their Money

The business description is your written report of your plan for success. It answers the first two questions: is there a need for your service, and can you attract clients?

Here is the business description of Bart's Tree Service. Wendell and Jody wrote it in "outline style" so that it would be easy to read.

Name of owners: Wendell Bart and Jody Bart (brother and sister)

Name of tree service: Bart's Tree Service

Type of service: Complete tree care service including removal, feeding, pruning, trimming, and cabling of all types of trees in all types of situations.

Area served: Oak Bluff, Piedmont, Wellspring, and Ash Grove

Competition: There are four other tree services in this area. While this may seem like a lot, they are all overworked. It is common for customers to have to wait for four weeks to receive service. The local nurseries all report an increase in tree sales.

Potential customers:

1. A check with the Chamber of Commerce indicates there are three new housing developments that will be started within the next two years for a total of 437 new homes in Wellspring alone.
2. After calling all our former gardening clients, 42 of them reported that they would be pleased to use our tree service.
3. The nursery that we recommended to our gardening clients is willing to recommend Bart's Tree Service to all of its customers who ask about tree care.

Strategy for success:

1. We give excellent service. We are neat and efficient. In the six years we have worked at Buck's, in addition to the five years we ran our own gardening service, we have learned all about the care and feeding of the trees in this area.
2. Any time a client's recommendation to use us turns into a new job, we will give that client a 10% discount on his or her next job.
3. We have met one of the contractors of a 90-house development who has agreed to distribute our flier as part of a "homeowner's information packet."
4. We will offer all of our former gardening clients a 30% discount for a yearly contract to feed and trim their trees.

Just How Much Money Do You Need?

The statement of financial need. Along with the business description, Jody and Wendell had to figure out exactly how much money it would take to "trim that first tree." Here is a list of costs for the first two years.

Major Equipment	Cost
Small one-ton dump truck that could haul brush, with a walk-through tool box	$20,000
One whisper chipper to grind up the branches	8,000
One log splitter	2,800
MAJOR EQUIPMENT TOTAL	$30,800

Small Equipment	
3 trimming chain saws ($220 ea)	$ 660
2 medium chain saws ($350 ea)	700
1 big (48" bar) chain saw ($800 ea)	800
3 pruning saws ($15 ea)	45
3 pole saws ($37 ea)	111
3 hand loppers ($18 ea)	54
2 pruners ($35 ea) and poles ($15 ea)	100
3 safety saddles ($70 ea)	210
Scabbards (leather pouches), climbing ropes, byll ropes, and other tools	3,000
SMALL EQUIPMENT TOTAL	$ 5,680

Business Costs

Workmen's Compensation for 1 employee for 1 year	$ 2,500
Insurance (truck, property damage, and liability)	6,000
Answering Service (6 months)	240
Legal and Accounting Fees	1,500
Advertising	3,000
Paper and Office Supplies	200
Salaries for Wendell, Jody, and one ground person until business shows a profit	40,000
Fudge Factor (anything-can-happen-and-usually-does money)	4,000
TOTAL BUSINESS COSTS	$57,440

This is the statement of financial need that Wendell and Jody finally gave to the bank.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$40,000	Cash on Hand	$ 8,000
Major Equipment	30,800	Personal Loan	10,000
Small Equipment	5,680	TOTAL	$18,000
Supplies	200		
Advertising	3,000		
Other (insurance, legal fees, fudge factor, etc.)	14,240	TOTAL STARTING EXPENSES	$93,920
		TOTAL MONEY ON HAND	18,000
TOTAL	$93,920	TOTAL LOAN MONEY NEEDED	$75,920

The personal resume. The personal resume will answer two of the bank's questions. Do you have the skills and experience needed, and are you reliable? There are many standard resume forms. Basically, it is a summary of your education and work background, plus a list of business people and others you know whom the bank may call. These people are your references. They should be well respected people in your community.

Summary

To borrow money you will need a business description, a statement of financial need, and a personal resume. The business description gives your strategy for success and tells why you think there is a need for your service. The statement of financial need lists all the money you will need to start. The personal resume is a summary of your education and experience, plus personal references.

Learning Activities

Individual Activities

1. Write a description of your business. It can be short, but really think about what kind of tree care service you would like to own. Think up an interesting name for your business. Use your town or area. Here is what you should include:

   Name of owner:

   Name of tree service:

   Services provided:

   Location:

   One or two reasons why this would be a good location

   Competition:

   Names of other tree services

   Potential customers:

   Who will use your service? List as many possibilities as you can.

   Strategy for success:

   What is your advertising plan for attracting customers?

   What contacts in this area do you already have?

2. Here is some information about "your" tree care service. Fill out a statement of financial need based on these figures.

   a. You will give yourself a salary of $12,000 for the first year. You will hire two people--one at $8,000 and one at $10,000.

   b. All the equipment you need comes to $20,000.

   c. Your supplies will cost about $175.

   d. You will spend about $1,500 on advertising.

   e. Your insurance, legal fees, and other costs come to $11,000.

   f. You are putting your "life savings" of $15,000 into the business, and your parents are lending you $5,000 each.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$	Cash on Hand	$
Major Equipment		Personal Loan	_____
Small Equipment		TOTAL MONEY ON HAND	$
Supplies			
Advertising			
Other (insurance, legal fees, fudge factor, etc.)	_____	TOTAL STARTING EXPENSES	$
		TOTAL MONEY ON HAND	_____
TOTAL	$	TOTAL LOAN MONEY NEEDED	$

Discussion Questions

1. Jim Buck was the character reference the bank needed to give Wendell and Jody the loan. Why do you think this made a difference to the bank?

2. Wendell and Jody added $4,000 as a "fudge factor." Do you think this is a good idea? Think of possible disasters. Would $4,000 cover them?

Group Activity

Many people become flustered when thinking about going to a loan officer. Discuss some ways you could prepare for your interview. Then role play your loan interview with the banker. One student should take the part of the tree service owner, and one student should be the loan officer. Afterwards, discuss how each student played his or her part.

UNIT 4

Being in Charge

Goal: To help you choose the people who work for you.

Objective 1: List the information needed on a job description.

Objective 2: Choose the best person to work at your service from a list of three.

Objective 3: List one quality of a good boss.

BEING THE BOSS

Jody says: "Wendell and I never gave any thought to hiring workers. After we got our loan and bought our equipment, we thought that all the hard stuff was behind us. We thought we would hire someone part-time and schedule all our heavy removals and big trimming jobs when that person was working.

"It's easy to get ground people in the summer when high school kids are out of school. We pay well. The work is hard, but we have fun.

"To get good climbers is harder. At first, Wendell and I did most of the climbing, but we needed another person. You never know who's good. Some people get 10 feet off the ground, look down, and freeze like a cat. You have to pay well for really good climbers. As Jim Buck told us, you're never sure if they'll leave, buy a chain saw, and start their own business.

"The work is hard, and the equipment is dangerous. You can kill yourself by falling, and you can amputate a couple of fingers--or worse--if you're careless with a chain saw. We've heard stories of people poking their eyes out with pruners. The climbers have to trust the ground people. Everyone has to be responsible. Putting together a good three-person crew was tough, but we did it."

Hiring People to Work for You

Most tree care services have at least one crew of three people. When you are starting out, you probably will be on that crew.

If your service is successful, you will find that you need to spend more time away from the actual work. You will be taking care of the old equipment and ordering new things. You may be organizing your advertising or doing the mountains of paperwork that are required for billing, taxes, and insurance. You will be taking your truck in for a tuneup and dealing with angry clients. To do all this, you will need to find a replacement for yourself on the work crew.

What all this amounts to is this: you'd better understand how to hire good climbers and good ground people.

The Job Description

After a few disasters, Wendell wrote a job description for both a climber and a ground person to keep on file. He began by listing the qualities he wanted in a climber:

1. must be responsible and a hard worker;
2. must be willing and able to work in high places using heavy equipment; and
3. must cooperate with other crew members.

This is the completed job description Wendell wrote.

POSITION AVAILABLE FOR TREE CLIMBER

WITH TREE CARE SERVICE

Duties: Prune, trim, and shape trees using chain saws and other heavy equipment.

Requirements: Must be able to climb trees and use equipment. Must be willing to learn about all aspects of tree care.

Personal: Must be very reliable and responsible.

Salary: $10 per hour, more if experienced.

Wendell or Jody Bart
Bart's Tree Service
489-5858

Eeny-Meeny-Miny-WHO?

Selecting the right person is a matter of good judgment and experience. Most employers do not base their hiring decisions on just meeting with the job applicants. They usually base their decisions on information from:

1. a written application (much like a personal resume);
2. an interview with the applicant;
3. the applicant's work references; and
4. a day on the job together (this is called the trial period, and it is absolutely necessary in this business!).

Training New People

If you remember what it is like to start a new job, you probably will be a good boss. If you are like most people, you were nervous when you started a new job. It seemed as if there was too much information

to remember and too much time to forget it. You had a lot of questions and felt a little silly asking them.

Sometimes you can make the first day for your new worker go a lot better just by telling the person not to worry, to take his or her time, and to ask any questions he or she might have. A good or even bad joke about trees and/or tree climbers wouldn't hurt.

You can't ask your new climbers to remove a redwood the first day on the job. Don't give them your heaviest saw and tell them to go to it. Any new person, even a climber, has to do ground work first--and lots of it. The person has to get used to the way a tree behaves and the way limbs break. The first time your employee uses a chain saw should be on the ground cutting a fallen branch.

Most of all, your new people will have to learn about giving and following directions. They have to know what all the different terms mean. A "headache," for example, means something is falling--look up! A "shiner" results from cutting off a limb and forgetting to paint it with tree seal.

Bosses Make Decisions

There will be many decisions you will make as the head person of your crews. Whenever teamwork is important, the job of leader is vital. At different times you will have to act as judge, coach, teacher, police officer, parent, and friend. You will have to listen to complaints and problems. There will be people threatening to walk off the job. How you handle them is a matter of experience. But when the people who work for you feel good about their work, you'll find that money is only one of the rewards of having your own business.

Summary

Hiring people to work for you frees you to do the other work that comes with owning a business. You begin hiring people by writing a job description. Selecting the right person is a matter of experience. Information about them comes from their written application, an interview, a trial period, and their work references. You should train new people slowly and with care. You will make many decisions as the boss.

Learning Activities

Individual Activities

1. What are some of the other activities you would have to do as a tree service owner besides taking care of trees?

2. Wendell and Jody sent their job description to local colleges and high schools. Name two other places that would be good possibilities.

3. When Wendell listed the qualities he wanted in a climber, he listed "must be responsible" first. Can you tell why?

4. Write a job description for a ground person. His or her duties would include clearing away brush, hauling debris, running general errands, and roping equipment up to the climbers. Being able to handle a truck is useful.

5. Here are applications of three people who applied for the job of climber with Bart's. After Jody spoke with each of them, she wrote down what she learned in the interview. If this were all you had to go on, whom would you hire? Give reasons for your choice.

   Name: Phil Peters
   Education: Graduated from high school; major: agriculture
   Work Experience: five years as a gardener's assistant
   Interviewer's Impressions: Interrupts, not a good listener. Looks strong and healthy; has been working since age 13.

Name: Rob Barazo
Education: Graduated from high school; major: general education
Work Experience: Stockperson for one year
Interviewer's Impressions: Calm, nice. Willing to learn. Likes trees, heights. Tall but slightly built.

Name: Barbara Slidly
Education: Two years of junior college; major: horticulture
Work Experience: Forest service--clearing brush
Interviewer's Impressions: Previous experience with chain saw. Friendly. Medium height, stocky.

Discussion Questions

1. You are the owner of Light's Tree Care Service. One of your best climbers, Andy, shows up for work drunk. You have promised the Helman family to remove its spruce tree to make way for a new garage. You can't do the job without Andy. What do you tell the Helmans? How do you deal with Andy?

2. Johnny Romer, one of your ground people, is a very good worker. He has asked for a raise because he thinks that the other ground person, Marty, is goofing around and not working hard. You have noticed that Johnny is doing more of the hard work. How do you handle it?

3. Most tree care services hire only men. The owners think that most women cannot do the heavy physical labor. They also say it's hard having a woman on the crew because the men won't get as much work done. As an owner, would you be willing to hire a woman ground person? How do you feel about hiring a woman climber? Would you give a woman a special test to see how strong she is?

Group Activity

How would you fire someone? "Goodbye" is usually not enough. Many people have realized, after they let someone go, that they created a lot of bad feelings when they didn't have to. As a class, write a list of "do's" and "don'ts." Here are some questions to consider. What would you do about termination pay? How much notice would you give? Would you tell the person why he or she was being fired?

UNIT 5

Organizing the Work

Goal: To help you organize the work of your tree service.

Objective 1: Fill out a customer work order form.

Objective 2: Tell which jobs are most difficult.

Objective 3: Name two ways to make a good agreement.

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HOW MUCH? HOW GOOD? WHEN?

Wendell talks about what it's like to be the boss. "Take the job from Mr. Chin. He calls and wants us to take out his oak. All he wants to know is how much will it cost, how good are we, and when can we do it? So we tell him the cost, that we're good, and when we can do it. Simple, right? No! These things could go wrong:

1. While grinding up the oak branches, our chipper jams. We can do the cleanup two days later when the chipper is fixed. Or we can do the cleanup by hand, meaning more time and an extra trip to the dump. Since it costs so much just in gasoline to come back another day, not to mention the work of setting up again, we will probably do the work by hand.

2. We forget to include the dump cost in our estimate. We can either absorb the cost or tell Mr. Chin that the price is higher than what we first quoted.

3. Our best climber cuts his arm with the chain saw. It's not bad but requires a trip to the emergency room. Do we work late, or tell Mr. Chin that we'll finish the next day?

"A good boss can prevent some problems. You've got to be on top of everything and communicate with your clients. If you don't do what you say you would, for the price and time you said, you'd better have a good reason."

Organizing the Work

There are many steps to follow for each tree job you get. In this unit you will look at the estimate (also called the bid), the work order form, and the work schedule.

When the Client Calls

When Mr. Chin called, Jody said she'd visit him the next day to estimate the job cost. This was the first promise Bart's always made, and Jody kept the appointment.

Getting the Estimate Straight

Jody knows that many things must be considered in the estimate. If all goes well, she and Mr. Chin will agree about the work. These things help.

- Taking "before" pictures so that whatever is moved during the removal can be replaced.
- Asking a lot of questions: Why does the client want the tree removed? Does the client want the wood taken to the dump or cut up for firewood? Does the client know that the chipper and the saws make a lot of noise?
- Planning for emergencies: Telling the client what will happen if problems arise with the plumbing, for example.
- Communicating: If Jody lets Mr. Chin know that he is welcome to ask questions and make reasonable changes, Mr. Chin will feel that he is dealing with people who consider him an important part of the job. This also builds trust.

The first decision Jody makes is whether the bid will be "time and materials" or "complete job." In the unit on pricing, you will learn about factors to consider when writing a bid. After showing the pictures to Wendell and discussing the job with him, Jody writes a bid. The estimate can serve as the agreement or proposal that the client signs. The client must sign the bid before the workers do anything.

The Work Order Form

Mr. Chin signed the bid, and Jody made out the work order. This important form reminds the workers of what work was promised. Usually on the back of the work order is a list of all the real (not estimated) costs of the job. A copy of the work order for the Chin job appears on the next page.

Who's Going to Do It?

Very small tree services with just one crew usually don't bother too much with a work schedule. They do plan how long a job will take, but usually a simple calendar can keep track of it all. Once a tree service has expanded to more than one crew, the schedule can get hectic. You must decide which crews will do which jobs.

Some Jobs Are Easy, and Then...

The easiest jobs are feeding and trimming. Removing large trees and climbing are more difficult jobs. The location of the tree can make a "small job" hard. Is the tree on a hill, near poison oak, or next to a house? Does the tree have a big base that will wear out a lot of chain

WORK ORDER

FROM: Bart's Tree Service

DATE: May 17
WORK ORDER NUMBER: 360
ORDER TAKEN BY: Jody

WORK FOR: Jerry Chin
428 Rose Avenue
Oak Bluff

START WORK ON: May 17
FINISH WORK ON: May 18

TERMS OF PAYMENT: Upon completion

Person Doing Work	Description of Work	Materials	Labor	Total Cost
Crew: Jody, Wendell, David	Remove one live oak Saw wood to fire-length size Remove all brush and debris (2 days)		$552 x 2	$1,104.00
	Fuel, miscellaneous	$ 46.00		46.00

WORK FINISHED ON: May 18	TOTAL MATERIALS	46.00
BY: Jody, Wendell, David	TOTAL LABOR	1,104.00
	TAX	-
	TOTAL COST	$1,150.00

saws? Will you have to work in the middle of a busy street? The Barts' work schedule for one week appears on the next page.

When Jody looked over the schedule she realized that she had underestimated the time it took to do the Chin job. This learning process goes on all the time for new business owners. Only by keeping complete records of all the work done, who did it, how long it took, and how much money it cost will you be able to make accurate bids.

WORK SCHEDULE

Name, Address, Telephone	Service Requested	Workers	Estimated Time	Real Time
Jerry Chin 428 Rose Oak Bluff 948-6676	Remove large oak tree	Jody, Wendell, David	2 days (Mon. & Tues.)	2 days 2 hrs
Al Smart 916 River Dr. Wellspring 969-0231	Trim, shape, & balance 10 oaks Pressure feed Install 13 cables	Wendell, David	2½ days (Wed. - Fri.)	7 hrs --return Thursday
Non-billable hours	Tune up truck Visit orchard Pick up supplies	Wendell		2 hrs

Summary

To organize the work, you must write everything down. Building a trusting relationship should begin as soon as the client calls. The estimate becomes the agreement between the client and the owner. The work order form is taken along to the job. It tells the workers what to do. The work schedule is a list of the work to be done, who will do it, and how long it will take.

Learning Activities

Individual Activities

1. Name three things that can go wrong to make your bid too low.

2. How can you, as the boss, prevent the problems you listed as the answer to question 1?

3. Why should you have the bid signed?

4. What are "non-billable hours"? Why do you think Wendell is keeping track of them?

5. Fill out a work order form for Al Smart's job (described on page 49). The job is estimated at 2½ days (20 hours) with two crew members both working at $23 per hour. To feed the trees will take 10 tanks at $100 each. The cables cost $60 each.

WORK ORDER				
FROM: Bart's Tree Service		WORK FOR:		
Person Doing Work	Description of Work	Materials	Labor	Total Cost
		TOTAL MATERIALS		
		TOTAL LABOR		
		TAX		
		TOTAL COST		

6. "Your" tree care service has two crews, Helen's crew and Frank's crew. Frank's is the more experienced crew. Which two of the following jobs would you give to Frank?

   a. Allan Martinez wants his blue-leaf wattle pruned. It's on a hillside behind his house.

   b. Rhonda Dubin wants four redwoods removed so she can build an addition on her new house.

   c. Sally Landsman has nine different fruit trees she wants pruned and fed.

   d. Andy McCurdle has a small grove of eucalyptus trees in front of his house, which is in the hills. They all need to be topped. This job requires traffic control.

Discussion Questions

1. Helen Fenton has just called to complain that your crew has thinned out her walnut tree too much. How do you handle it?

2. Larry Falk has a large ash tree that he wants removed. In the middle of the job you realize that it will take longer than your estimate--perhaps even twice as long. What will you do? Should you quit before you go any farther? Tell Larry there will be a new price? Take the loss yourself?

Group Activity

Part of your job as an owner will be to do many things that keep the business going. Here is a list of some of them. As a group see if you can estimate the amount of time you would spend on each of them.

1. Writing out the weekly payroll checks for four employees
2. Calling the Yellow Pages ad consultant about redesigning your ad
3. Dealing with an angry customer who didn't like your cleanup
4. Talking with one of your workers who came in drunk
5. Meeting with a tax consultant about getting a better tax break
6. Reading the morning mail--three bills, two letters, and six pieces of junk mail

If you were completely swamped with work, which of these tasks could be put off for another day?

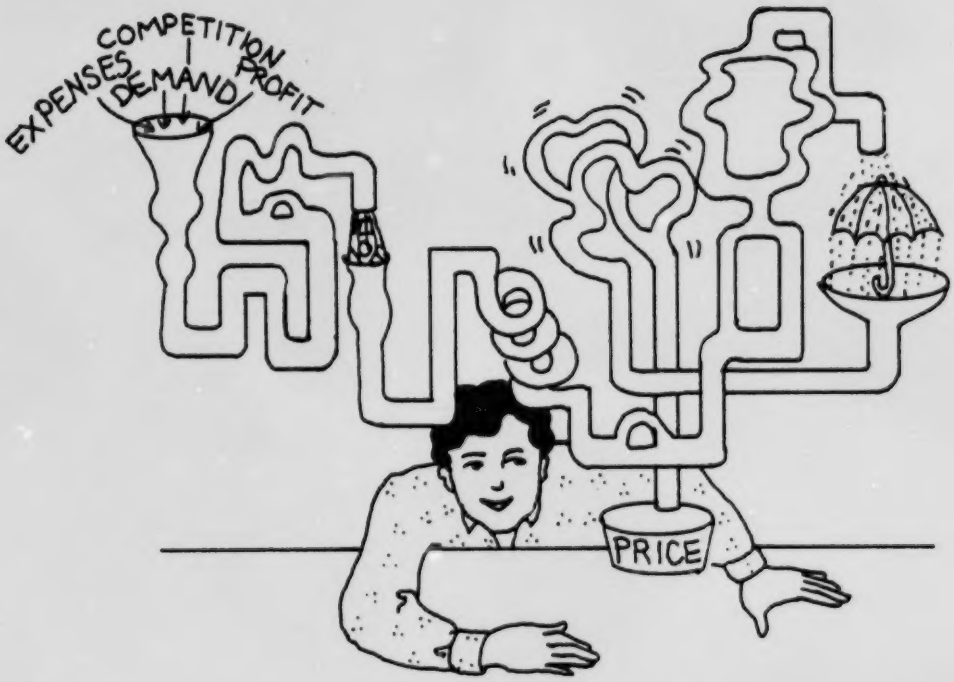
UNIT 6

Setting Prices

Goal: To help you decide how to set prices for your tree service.

Objective 1: List two things to consider in setting prices for your service.

Objective 2: Set prices for your tree service after being given certain facts.



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GOING OUT ON A LIMB

Jody talks about setting prices.

"There is no doubt in my mind that setting prices is the most difficult part of owning a tree service. Before you can know what to charge, you have to know how much things cost you. Now with something like gasoline, it's easy. You can figure how much it costs you per mile. But what about your equipment? How much of a truck do you 'use up' on every job? That should figure in with the costs because someday you're going to have to replace that truck. And how much does your chain saw cost per job? Even little things like the cost of your billing forms should be taken into consideration.

"We got a call the other day. A doctor wanted to know how much it would cost to trim a birch tree in his yard. He wanted me to tell him over the phone--before I had even seen the tree! I had to tell him that all birches are different, that a lot depends on what's around the birch. Are we going to work next to a house, near a garden, or on a hillside? All this could mean there's more time involved. Of course, he wanted a straight bid rather than time and materials.

"Time and materials means the client pays you so much per hour plus whatever materials like cables or tree seal you use. You can't get 'stuck' with a time and materials price. If it takes you ten hours and two cables, that's what you get paid for.

"A straight bid is a situation in which you promise to do the work on a client's trees for a specific flat amount. Even if it turns out to be harder than you thought, or takes more hours, you still have to charge the price you quoted. In other words, you have to 'bite the bullet' sometimes."

Setting Prices

All tree service owners go about setting prices for their services in slightly different ways. Some just charge the "going rate" for their area. They don't want to do the math that it takes to come up with a price that's in line with their expenses and their desired profit. Others go by what professional organizations tell them to charge for their area of the country.

You can also work out the math yourself and come up with a price that is just right for your business. (Get those calculators ready!)

These are the two most important questions.

- What is your break-even point? You must figure out how much you need to make to cover all your bills. That's called "breaking even." You must add profit to that. Profit includes paying back your debts and paying your own salary.
- What are people willing to pay? For this you must find out what other tree services are charging. People probably would not be willing to spend a lot more than they would have to pay elsewhere.

Most tree care services charge by the hour for each person working. Bart's charges $23 per hour per person. For an entire crew of three people working eight hours the cost would be:

3 people x 8 hours x $23 per hour = $552

How did Jody and Wendell arrive at $23 per hour per person?

The Break-Even Point

Wendell decided to find out how much it cost him to run his business every month.

Monthly expenses. He started with the bills he had to pay every month: the answering service, salaries and employee benefits, the Yellow Pages ad, an approximate gasoline bill, and the telephone bill.

Yearly expenses. Then he looked at the bills that came in during the year. Some, like the insurance and taxes, were steady; others, like equipment repairs, varied. These yearly bills included insurance, taxes, equipment repairs, advertising costs, and paper and other office supplies. To spread out these expenses over the year, divide the total amount by 12.

Other money spent or lost. These expenses are not exactly "bills." These are ways your business loses money every year even though a bill doesn't come in. They have to be counted as expenses too. Theft and bills that customers haven't paid have to be counted.

Equipment expenses. To figure out the "monthly cost" for both the small and large equipment, Wendell had to figure out how long a piece of equipment would last. Then he could find the amount of it he would "use up" during just one month. This is also called depreciation.

A part of Wendell's expense sheet appears on the next page.

	Cost	Math Problem	Cost per Month	
Salaries	$200/mo	--	$200	
Gasoline	$160/mo	--	$160	
Answering service	$ 40/mo	--	$ 40	
Insurance	$5,000/yr	$\frac{5,000}{12}$	$417	
Advertising	$3,000/yr	$\frac{3,000}{12}$	$250	
Bad accounts	$1,000/yr	$\frac{1,000}{12}$	$ 83	
Truck (good for 10 years)	$20,000/ 10 years	$\frac{20,000}{10}$ = $2,000/year		
		$\frac{2,000}{12}$	$167	(depreciation)
Small chain saw (good for 2 years)	$220/ 2 years	$\frac{220}{2}$ = $110/year		
		$\frac{110}{12}$	$ 9	(depreciation)

When Wendell added these costs and his other monthly expenses (such as payment on his loan debt), he came out to $3,000 per month. That means that it costs him $3,000 per month just to keep his doors open and break even. Everything over $3,000 is considered profit. Wendell wants to make another $2,500 in profit so that he and Jody can have a salary.

From past experience Wendell and Jody have learned that until you're very well established, you can expect to have 10 good working days a month. That means that by taking into account equipment breakdown, doing the chores of running a small business, making bad bids, and people's cancelling jobs, you can count on 10 full working days a month. When Wendell divided $5,500 (his monthly expenses and profit) by 10, he got $550. If his crew could bring in $550 for every good working day, he would make his profit.

He could tell people that his crew of three workers costs $550 a day. But most people would rather have an hourly rate. With three workers and an eight-hour workday, the Barts' hourly rate per worker is $23.

What Are People Willing to Pay?

When Wendell checked the prices of the other tree services in his area offering the same type of services, he found that his price was competitive. The lowest price was $20/hour, and the highest was $27. He figured that people would be willing to pay his price of $23/hour.

Even more... Even with all this information, sometimes you have to think about other things when deciding on a price.

When Wendell tells people his price, he tells them $23 per person per hour. He also must tell them that dump fees are extra. If he has to rent special equipment, such as a crane for a difficult removal, that's extra. When estimating a bid, Wendell and Jody count the use of a full crew at $550 a day and then add gas mileage, dump fees, all rentals, etc. And they must add extra for unforeseen problems. You can see why straight bidding is much more difficult than being paid for "time and materials."

Summary

The two ways to price your service are "time and materials" and "straight bid." To find out how much to charge you need to calculate all your monthly expenses. You will need to know your break-even point, what you want in profit, and what people are willing to pay.

Learning Activities

Individual Activities

1. What does "break-even point" mean?

2. What is "profit"?

3. Name two kinds of expenses that have to be counted that are not "bills."

4. What are some of the reasons that you can't count on 21 full working days in a month?

Discussion Questions

1. You have found out that there is one new tree service company in the area that has just a chain saw and a few pruners. It is going to charge $15 an hour. As the owner of a service that charges $23 an hour, what are you going to do? Are you going to lower your prices? Tell why, or why not.

2. You have recently "underbid" two jobs. You got the work but lost a total of $800 because of it. You have decided only to charge "time and materials" for a while. Role play a situation in which you are the owner talking to Mr. Bradshaw, a new client who wants a straight bid. Try to convince him that "time and materials" is the best way to charge. Try to persuade him that you will do a good job and he will get his money's worth.

3. Name as many reasons as you can that might cause you to raise your prices.

Group Activity

Here are some facts about your tree service.

- Each month you pay about $500 in bills.
- Each year you pay about $9,000 in yearly bills.
- Other money you lose through depreciation and bad accounts is about $3,600 per year.

In a group, discuss answers to the following questions. What is your monthly break-even point? If you wanted to make $2,000 above that, what would be your goal per month? If you have 10 good working days in a month, how much should you charge for your crew of three for one day? What would be your rate per person/per hour? Round off to the nearest dollar.

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise and sell your service.

Objective 1: Choose one way to advertise that would be right for your business.

Objective 2: Design a printed ad for your tree service.

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GETTING THE WORD OUT

Wendell talks about his attempts at advertising.

"I remember asking Jim where he got his jobs. At first he said he honestly didn't know. We went through his files. This is what he sounded like. 'Oh, that's the Rockfords. I did their neighbor's trees a couple of years back. The Samosas? His brother knew my wife in a class. Helen Tickman's friend taught my daughter piano.'

"So it went. At least 50% of his clients had heard about him from a friend. The rest of them came over while he was doing a job. He would let them watch and would answer their questions; two months or two years later, when they had a dying tree or a problem with heavy branches, they would call him.

"Tree people are not quiet when we work. We have big trucks, and we make a lot of noise. Our best advertising comes from people watching us and from clients recommending us. Our truck has one large sign, let me tell you!

"That doesn't mean you don't do other things. When you're first starting out, you can't rely on recommendations for a while. On Jim's advice we took out a large Yellow Pages ad and announced our opening on fliers that we sent to everyone we knew. We also went to nurseries and asked if we could put a flier on their bulletin boards."

Advertising and Selling

Every service business needs clients. Until you have a number of steady clients and yearly service contracts, you need to spend a lot of your time, energy, and money getting the word out. Even after your business is rolling along, you need to spend some time on advertising.

What Kind of Advertising? Where?

Like every business, you have to advertise "where the action is"--where your customers are likely to look. Most tree care services rely on:

- an ad in the Yellow Pages;
- a flier on bulletin boards at nurseries and shopping centers;
- a sign on their trucks;
- word of mouth; and
- the local newspaper.

The Yellow Pages. An ad in the Yellow Pages is important. Some of your clients will get your name that way. Most new business owners delay opening until the new edition of the Yellow Pages has their name in it.

The Yellow Pages sales department will help you design an ad. But you need an idea of what you want. Let's look at the parts of an ad.

What's the most important information? For a tree service, your phone number is more important than your address. You must tell people:

- who you are;
- where you are located;
- how to reach you;

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- what services you provide; and
- why someone would want to choose your tree service.

The ad must be eye-catching and honest. Many companies also choose a name beginning with a letter towards the beginning of the alphabet so they will be near the beginning of the list.

The writing on the wall. Don't forget the lowly bulletin board. While this will not bring in scores of clients, it is another way of making contact with people.

Nurseries and garden centers are naturals. Hardware stores are also good bets. Markets and community bulletin boards are possibilities.

Make your flier or poster really work. Design a way for people to take your name and address with them and still leave the flier posted. Having a little tear-off at the bottom of the flier or having a little pad of business cards attached are ways to do this.

These boards get cleaned regularly, so at least once every month you should make the rounds again.

The writing on the wheels. As Wendell said, tree people cause their own commotion. Everyone knows that this work makes a lot of noise. For any large job and most small ones, you will attract a lot of attention. What better way is there to take advantage of this than to put a great big sign on your truck? When people start poking their heads out of windows, they may tell you to be quiet, but they'll also notice the name of your business.

The sign on your truck should be large and easy to read. You can even list the services you provide. You can use a slogan and have a picture painted. How fancy the sign is depends on your business image and the amount of money you want to spend. You should make your sign a variation of your Yellow Pages ad.

Word-of-mouth advertising. Your best advertising is a satisfied customer--your worst is an angry one. Think of every relationship with every client as a way of getting new clients. Not only do you want to give the best service possible, you also want to be friendly and professional with your clients. Talking with them on the job, letting them see how you work, and explaining the different procedures to them all promote your business. When you become "those friendly tree people who do good work and don't mind explaining what they're doing," you will get lots of word-of-mouth advertising.

The power of the printed word--newspaper ads. Most communities have small newspapers just for advertising small businesses in the area and publicizing events. To help get you started, an ad under "Goods and Services" is an idea. It should be (once again!) a variation of your Yellow Pages ad with the same lettering. Don't go for the large metropolitan paper with big front-page ads. Go for the "throw-aways" that people glance through for good buys in their area. If you set up a regular ad, you can use it for seasonal specials such as spring and fall pruning.

Summary

Most tree services rely on an ad in the Yellow Pages, a flier at nurseries and other shopping centers, a sign on the truck, word-of-mouth advertising, and an ad in the community newspaper. All of your advertising should include:

- who you are;
- where you are located;
- how to reach you;
- what services you provide; and
- why people should choose you.

Learning Activities

Individual Activities

1. List five important pieces of information you should include in your ad.

2. Design an ad for the Yellow Pages.
   - Use 8½ x 11 paper. (Most people use paper bigger than the actual ad will be. A special camera reduces the size later.)
   - Be sure to include all the important information about your service.
   - Include all parts of an ad. Even if your artwork is not perfect, draw a sketch to show your ideas.

3. Call the Yellow Pages sales department in your area. Ask for a price list on different-sized ads.

4. Name three ways to inform people of your service. If you had only a small amount of money, which way do you think would be most important to do first?

Discussion Questions

1. One of your new workers accidentally sawed off a very beautiful limb of an acacia tree. Your client was furious with you. Later you heard that he has been saying very negative things about you and your business at his golf club and to his business associates. Talk with your classmates about what you can do to make this situation better.

2. Look at several ads for tree services in the Yellow Pages. Discuss which one you would choose to call, and why.

Group Activity

While it doesn't seem that an "image" would be important to a tree service, it really is. You may be looked upon as a tree doctor, as a scientist, and as a tree friend. You can also be seen as a tree artist. In a group, discuss these questions. Can you name other images that can represent your tree service? Which do you think will be the one that brings in the most clients? Look at the different ads in the Yellow Pages and tell what "image" the different services are trying to project.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your tree service.

Objective 1: Fill out a bill for a customer.

Objective 2: Fill out a daily cash sheet that records money coming in and going out of the business.

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DOING THE BOOKS

When Jody talks about recordkeeping, her face softens.

"Most people hate keeping records, writing out the bills, and keeping track of everything. For me, it's a nice break from the hassles and strain of being in the trees.

"When you pay attention to the books, you also learn where all your money is going and who your best customers are. I never do the bookkeeping quickly. I never think of it as a job that I should rush through. I'm not in the business to give free service, and unless you're pretty good at keeping records, that's what you end up doing.

"Unless you know bookkeeping, you need a bookkeeper to set up everything for you. When I spoke with her, I had her explain everything to me--how I bill, how I pay my workers, the monthly balance sheets, the cash flow charts, everything. It was money well spent, and I learned a lot.

"The first step in good billing practice is knowing how to record time spent on a project. We do it in 15-minute intervals, and we count everything--the time spent on the phone, the time spent doing the estimate, driving time, and work time. Some of the time is not actually billable. We can't ask a client to pay us for time we talked to him or her on the phone, but we try to keep a record of it.

"We try to collect our money right at the end of the job. When the crew goes out, they take a completed billing form that they leave with the client--and they have a copy for themselves. Each of our workers knows how to fill out the form. It saves us from having to bill at the end of the month. Credit accounts are really a pain. Now for the big accounts, $4,000 and over, we have to bill and extend some credit. But we do it as little as possible."

Keeping Financial Records

Financial records are a must. You'll need good records to figure out your federal and state income taxes. You also have to keep records on your payroll, insurance matters, and receipts from bills paid by your company.

In this unit we will concentrate on just two of the many forms that you will need to use. You will learn how to bill your customers so that you can get paid for the work you do. You will also learn how to complete a cash sheet that records the money coming in and the bills paid on a given day.

How to Bill

How your bill looks depends on your method of pricing. For Mr. Chin's job, the bill was simple. Jody and Mr. Chin had agreed on a price. This is the bill:

CUSTOMER BILLING FORM

Customer: Jerry Chin

Date	Description of Sale	Amount Charged	Payment Received	Balance Due
May 18	Remove oak, saw wood to firelength size, remove debris.	$1,150	--	$1,150
May 18	Personal check #416		$ 1,150	--

A "time and materials" bill would look different. Since the client is paying for each "person-hour" on the job as well as all the materials used, you would itemize all the work that was done.

Easy Come, Easy Go--the Daily Cash Sheet

You will begin receiving money within a couple of weeks after you open. Hopefully, your crew will get a check when the first job is completed.

On the other hand, you will also have to pay your bills. While you may not do this every day, you will be doing it throughout the month. Some days you will pay a telephone bill, and on other days your check will be for equipment or repair work on equipment. You'll also have to pay for your advertising, etc.

Some businesses successfully use the "pocket-stuffing/shoe box" method of keeping track of their money. At the end of the day, you take everything out of your pockets and put it in a shoe box. When your taxes are due, or when you go to the bank, you pull the mess out of the shoebox.

The daily cash sheet is a better idea. It is filled out at the end of every business day. You clear out your checks, get your business checkbook in hand, and fill out a form like the one on the next page.

Jody had a total of $5,367.00 in checks. Two were payments for work completed that day. Two were payments for work done last month--one was for the Brown job, and the other was for the Wood job.

John Long	$ 925.00
Tom Brown	3,317.00
Amy Jackins	245.00
Sam Wood	1,880.00
TOTAL	$6,367.00

Jody looked in her checkbook. These are the checks she had made out for the day.

Linda's Answering Service (3 months--March, April, May)	$ 104.00
Wickup's Equipment and Supplies (invoice #889--saddles, pole saws, pruners)	489.00
David Burns (salary, April)	1,640.00
TOTAL	$2,233.00

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	$1,170	Salaries	$1,640
Credit Accounts	5,197	Building Expenses	
		Equipment and Furniture	489
		Inventory or Supplies	
		Advertising	
		Other	104
TOTAL CASH RECEIPTS	$6,367	TOTAL CASH PAYMENTS	$2,233

If you look at this, it looks as if Bart's Tree Service made over $4,000--not bad for one day! However, Bart's might not get any more payments for another week or so and might have to pay the rent tomorrow. Therefore, most businesses do not look at their profits on a day-to-day basis. To see how the business was doing, Jody would have to look at their yearly profit/loss statement. That is in the next unit. She will use her daily cash sheets to help her keep monthly and yearly records.

Another form that summarizes how your business is doing is the balance sheet. Your bookkeeper or accountant can show you how to complete the balance sheet monthly or yearly and can show you the information it will give you about your business.

Summary

You will need to keep clear financial records. A customer billing form and a daily cash sheet will help you.

Learning Activities

Individual Activities

1. Why do you think that Jody would prefer not to have credit customers?

2. Why is there different billing depending on the method of pricing?

3. Here is the information for the bill for Amy Jackins. She had her two willow trees pruned. The cost was $240. Bart's also cleared away all the brush and debris. The crew made one dump run that cost $5.00. She was billed on May 13. Bart's received her check (#499) for the full amount due on May 16. Fill out the following bill.

CUSTOMER BILLING FORM

Customer: _____

Date	Description of Sale	Amount Charged	Payment Received	Balance Due

4. May 17 was a quiet day. Fill out the daily cash sheet below with this information. Jody received these checks from three cash clients--Amy Best, $400; Joan Crist, $150; and Charles Johnson, $504. Jody paid these bills--Amway Emergency Hospital, $125; and Willard's Office Supply, $48.

DAILY CASH SHEET	
Cash Receipts	Cash Payments
Cash Sales $____	Salaries $____
Credit Accounts ____	Building Expenses ____
	Equipment and Furniture ____
	Inventory or Supplies ____
	Advertising ____
	Other ____
TOTAL CASH RECEIPTS $____	TOTAL CASH PAYMENTS $____

Discussion Questions

1. Tight Tom never offers credit. He wouldn't care if you were the Queen of England. He claims that the added bookkeeping and bad accounts are not worth it. Loose Larry gives credit as if it were water. He says it makes people feel good about themselves and brings in business. What do you think? What would you look for in a person to extend credit to him or her?

2. Many small businesses use professional bookkeeping services and just keep track of their daily cash sheets. The bookkeeping service then does the monthly and quarterly statements as well as the tax forms. What do you think are the advantages and disadvantages of using such a service?

Group Activity

Many times people are given credit or not given credit based on people's prejudices. Women and minorities have had a particularly hard time getting credit. In a group, discuss what effect this has on the people who are refused credit.

UNIT 9

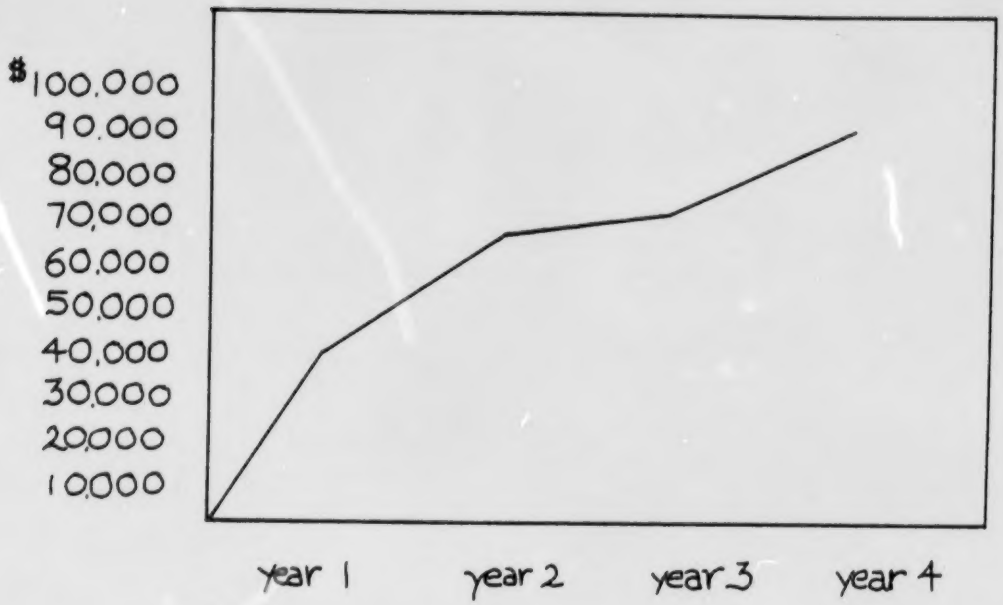
Keeping Your Business Successful

Goal: To help you learn how to keep your business successful.

Objective 1: Figure out the net profit, profit ratio, and expense ratio for a tree service.

Objective 2: State one way to increase profits in a business that is losing money.

Objective 3: State one way to increase the number of clients you have by changing or improving your service.


$100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
year 1
year 2
year 3
year 4

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TRIMMING THE MONEY TREE

Jody talks about the realities of making money.

"You know, it's very exciting to get that first check. No matter how small it is you have the feeling that you're successful--that your business is going to make it. If your crew is busy and if you're rushing from one job to the next, you never stop to think about whether you're making a profit.

"But profit is a strange thing. You can trim a lot of trees, be busy all the time, and still not make a profit. What's worse, you may not even know that you're losing money! Hard work does not guarantee a successful business.

"About a year ago we were working like crazy; the business was bringing in lots of money, yet we were barely meeting our expenses. Our profit/loss statement showed us why. Every single one of our expenses was slowly going up. The cost of gas had reached a record high, one of our trucks had backed into a chipper for an $8,000 loss, and the cost of equipment was also giving us a beating. But since we were so busy, I didn't stop to think about it.

"Also, when we had figured the cost-per-month of running our business, we thought I would be on the crew at least some of the time. But with bookkeeping, advertising, and doing most of the estimates, I couldn't spend much time in the trees. We were losing at least $100 a day because of that!

"Most people think that you have to raise prices to make more money. But there are lots of other things to do besides that. We took a very long look at our expenses. We promised ourselves we would cut each one of them down in some way. We looked at the types of clients we were attracting--perhaps there was more money there. Being a good business owner is more than just raising prices."

Keeping Your Business Successful

In this unit you will learn how to judge whether your business is successful. As Jody and Wendell found out, sometimes a business that seems "successful" may not be making a profit.

The Profit/Loss Statement

A profit/loss statement includes this information:

- revenues: how much people paid you in cash and credit sales;
- expenses: how much you paid for bills and losses; and
- profit: how much you have left after your bills are paid.

What Is Net Profit?

It would be wonderful if you could look at all the money you made and call that your profit. But you can't. Once you pay all your bills, you might have made nothing or even have lost money. So businesses also have to figure out their net profit, which is the money you have after you pay your expenses. Net profit = revenues minus expenses.

Figuring Your Profit Ratio

Once you know your net profit--we'll assume you made money--you should also check your profit ratio to get an idea of how successful your business really is. Just what percentage of your income ended up as profit, and what percentage ended up going for expenses? If you had absolutely no expenses, then all of your income would be profit. Your profit ratio would be 100%, and your expense ratio would be 0%. Since

that happens only in lemonade stand businesses when the parents donate the lemonade, let's look at the profit/loss statement for Bart's Tree Service and compute the profit ratio and the expense ratio.

TWO-YEAR PROFIT/LOSS STATEMENT		
	Year 1	Year 2
Revenues		
Cash Sales	$60,000	$40,000
Credit Sales	20,000	50,000
TOTAL	$80,000	$90,000
Expenses		
Salaries	27,500	29,500
Equipment Repairs	710	2,000
Depreciation	6,390	9,000
Supplies	500	1,000
Advertising	2,000	2,500
Legal	500	500
Payment on Loan Debt	1,000	1,000
Insurance	1,400	2,000
TOTAL	$40,000	$47,500
Net Profit	$40,000	$42,500

This is how to figure out Bart's profit and expense ratios.

		Year 1	Year 2
Profit ratio =	$\frac{\text{Net profit}}{\text{Revenues}}$	$\frac{40,000}{80,000} = 50\%$	$\frac{42,500}{90,000} = 47\%$
Expense ratio =	$\frac{\text{Expenses}}{\text{Revenues}}$	$\frac{40,000}{80,000} = 50\%$	$\frac{47,500}{90,000} = 53\%$

As you can see, Bart's had more income during Year 3. Yet, in terms of percentage, it made more profit in Year 2. Why? Jody and Wendell didn't realize just how much their expenses were going up. If you compare their expenses from the second to the third year of business, you will see that they paid more money for: salaries, equipment, repairs, depreciation, supplies, advertising, and insurance fees. In fact, almost every one of their expenses increased! If the economy is suffering from general inflation, this is often the case.

How to Increase Your Profits

There are four ways to make your profits higher: (1) increase your number of customers (increase sales); (2) raise your prices; (3) lower your expenses; or (4) expand your services. Each one of these takes a lot of thinking, and means taking some risks.

Increasing the number of clients. This means doing more advertising and more selling. It probably means investing more money. You will also have to spend more time away from the crew finding those clients. Join civic groups or send out more fliers. Call people and introduce your service. Look at how each of your clients found out about your service in the first place and put more energy into those areas of advertising that were most successful.

Raising your prices. This may seem like the quickest and easiest way to raise your profits. It is not that simple. If you become one of the more expensive tree services, you will find your customers dropping off.

Reducing your expenses. Doing this, or at least keeping them from rising so fast, can help increase your profits. To do so you have to look at each expense and decide how to cut your costs.

Expanding your services. Many tree services find that the best way to increase their profits is to expand their services. Here are some ways to expand services.

- Offer pest control--this is the most natural way to expand. It requires special equipment and is very strictly licensed, but since one person can do it alone, you can make money.
- Offer seasonal pruning, trimming, and feeding specials when times are slow.
- Offer to take jobs in other cities. Although gasoline is expensive, getting customers in other areas may increase your profits.
- Sell as firewood the dead wood you might normally take to the dump.

Summary

The profit/loss statement tells what your income is, how much your expenses are, and what percentage of your income went to expenses and to profit. You can increase your profits by increasing your number of clients, raising your prices, lowering your expenses, or expanding your services.

Learning Activities

Individual Activities

1. Here is a profit/loss statement for Wilshire Tree Care Service. Compute the net profit, profit ratio, and expense ratio. The sum of the profit ratio and the expense ratio should be 100%.

TWO-YEAR PROFIT/LOSS STATEMENT				
	Year 1		Year 2	
Revenues				
Cash Sales	$30,000		$25,000	
Credit Sales	20,000		35,000	
TOTAL	$50,000	100%	$60,000	100%
Expenses				
Salaries	$13,000		$16,000	
Equipment Repairs	1,000		1,500	
Depreciation	4,500		6,000	
Supplies	500		600	
Advertising	3,500		3,400	
Legal	250		250	
Payment on Loan Debt	1,000		1,000	
Insurance	1,250		1,250	
TOTAL	$25,000	___%	$30,000	___%
Net Profit	_____	___%	_____	___%

2. Which year was a better one for Wilshire Tree Care Service?

3. Name two ways to increase your profits.

Discussion Questions

1. Many tree service owners do not want to "go big." They don't want to have several crews and hire more people. Can you give some reasons for this?

2. Jody's husband wants her to get out of the business. He claims that since her profit ratio went down in year 3, she isn't much of a businesswoman and that pretty soon she'll be losing money. What advice would you give Jody? Will it matter to her business that she is losing his support?

3. Bart's heard that they are losing some money because their workers don't dress in proper overalls. They look too much like "hippies." What do you think Wendell and Jody should do? How much does appearance count? Bart's Tree Service has some fairly rich clients.

Group Activity

List as many things as you can that you would have to do if you ran a tree service. After you have your list, see how you feel about doing each thing. Give yourself three points if you would enjoy doing it, two points if you wouldn't mind doing it, one point if you would do it but wouldn't like it, and 0 if you wouldn't do it, no matter what! There are no "correct" answers. The point is for you to see if owning a tree service might be for you. Discuss the results in a group.

SUMMARY

This module has been about owning a tree service. To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if customers would use your business. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means dividing the work and hiring good workers. Then you must keep track of jobs to be done and who will do them.

Setting prices means figuring out the lowest price you can charge to meet your expenses and the highest price you can charge and still be competitive. To do this you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. In your case, a satisfied customer is your best form of advertising.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful tree service, you need training in tree care, work experience, and the special business management skills we have covered in this module. If you have not had a course in tree care, you should take one before deciding to own a tree service. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a tree service. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own tree service.

QUIZ

1. List three services a tree care business might provide to customers.

   a. _____

   b. _____

   c. _____

2. List three skills the owner of a tree service should have.

   a. _____

   b. _____

   c. _____

3. Which of the following is probably the most important for being successful?

   a. Giving good service

   b. Knowing a lot of climbers

   c. Charging the lowest prices

4. Which one of the following would a tree service probably do?

   a. Plant a row of trees for a client

   b. Fill a cavity in a tree to mend it

   c. Clear part of a forest

5. When choosing a location, which of the following probably is the <u>least</u> important?

   a. The size of the town

   b. The number of people you know

   c. The attractiveness of the office

6. Which of the following should be included in your business plan description for the bank?
   a. Why you like the tree care business
   b. The services you will offer
   c. Whether or not you are married

7. Which of the following should appear in your statement of financial need?
   a. How much you made on your last job
   b. Your fudge factor
   c. Your parents' income

8. Which information do you need to put on a job description?
   a. Salary, benefits, and hours
   b. Personality type, age, and sex wanted
   c. Directions to the office

9. What is the best way to get information about a person you are thinking of hiring?
   a. Get a written application, interview the person, and give him or her a one-day trial period
   b. Call the person's parents, school, and friends
   c. Have the person write a paragraph about why he or she would like the job

10. Which of the following groups tend to prefer "straight bid" prices over "time and materials" prices?
   a. Customers
   b. Tree service owners
   c. Both customers and owners

11. Which of the following makes a tree care job more difficult?
   a. The tree is on flat ground.
   b. The tree is next to a house or pool.
   c. The tree has a small base.

12. List three things to think about when setting prices for a tree care service.

    a. _____

    b. _____

    c. _____

13. List three of the major parts of a work order.

    a. _____

    b. _____

    c. _____

14. Which of the following is the most common way of advertising a tree service?

    a. A large ad in a magazine

    b. A large sign on your truck

    c. A short ad on the radio

15. Which kind of advertising probably brings in the most business?

    a. A sign on your truck

    b. Fliers on cars

    c. Word-of-mouth advertising

16. Mark Spillman has already given Bart's $1,500 for tree care done last month. He still owes $500. When Bart's sends a billing form, in which column will the $1,500 appear?

    a. Amount charged

    b. Payment received

    c. Balance due

17. Which of the following jobs should you give a new tree service worker first?

    a. Doing estimates for new jobs

    b. Cutting up fallen branches

    c. Climbing a redwood to look at fire damage

18. Antonio's Tree Service brought in $150,000 in its fourth year of business. It paid $120,000 in expenses. Compute the following.

    a. Net profit = $_____

    b. Profit ratio = $_____

    c. Expense ratio = $_____

19. Antonio's profits decreased from Year 3. List three things he can do to increase profits.

    a. _____

    b. _____

    c. _____

20. When tree services expand, they often add:

    a. pest control.

    b. gardening services.

    c. sale of plants and gardening supplies.

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PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components